

**Audit Report on the
United States Customs Service
Automated Commercial System Cargo Selectivity**

OIG-00-066

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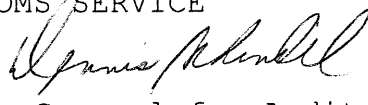


OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MAR 6 2000

MEMORANDUM FOR RAYMOND KELLY, COMMISSIONER
UNITED STATES CUSTOMS SERVICE

FROM: Dennis S. Schindel 
Assistant Inspector General for Audit

SUBJECT: Audit Report on the United States Customs
Service Automated Commercial System Cargo
Selectivity

This memorandum transmits the final report of the Office of Inspector General (OIG) *Audit of the United States Customs Service Automated Commercial System Cargo Selectivity*. This audit is the first in a series of planned audits covering various aspects of the United States Customs Service (Customs) Operation Hard Line, a long-term strategy to disrupt and deter narcotics smuggling at southwest border ports via passenger vehicles and cargo.

This report discusses improvements needed in targeting high risk shipments for narcotics examinations. Issues include development of cargo narcotics criteria, improvement of examination procedures, implementation of performance measures and management controls, and effectiveness of other targeting systems. The OIG made eight recommendations in these areas. Customs management agreed with these recommendations and initiated corrective actions.

In your November 19, 1999 written response to our draft report, you stated that the information in the audit report did not warrant protection under the Freedom of Information Act. Accordingly, we have removed the Limited Official Use designation which we had applied to the draft report.

We appreciate the courtesies and cooperation provided to our auditors. If you have any questions, you may call me at (202) 927-5400 or a member of your staff may contact Charles Mataya, Director, Program Audits at (713) 706-4611.

Attachment

EXECUTIVE DIGEST

Overview

The Automated Commercial System (ACS) Cargo Selectivity Program was created to facilitate the processing of legitimate cargo while attempting to stop fraud, narcotics smuggling, and the entrance of illegal cargo. In our opinion, trade has been facilitated to a great extent by limiting cargo examinations to targeted shipments; however, selectivity has not been as successful in stopping the smuggling of narcotics. For example, from October, 1995 to March, 1998, the southwest border ports of El Paso and Laredo, Texas, Otay Mesa, California, and Nogales, Arizona attributed only two narcotic seizures to the ACS targeting. In addition, our review showed that two other Customs targeting systems were ineffective. The Automated Targeting System (ATS) was hindered by a lack of experienced personnel, and during our fieldwork, Customs suspended use of the Three Tier Targeting (3T) System due to the lack of reliable information.

Objective, Scope and Methodology

Our audit objective was to determine whether ACS Cargo Selectivity effectively targets high risk cargo for narcotics examinations. The audit included visits to Washington, DC and Newark, New Jersey; as well as the southwest border ports of El Paso and Laredo, Texas, Otay Mesa, California, and Nogales, Arizona. At these locations we obtained policies and procedures and reviewed documentation on selectivity activities from October 1, 1995 to September 18, 1998. We also observed the performance of cargo examinations on site, evaluated the adequacy of Customs targeting systems and reviewed management controls over the ACS Cargo Selectivity Program.

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Audit Results

In our opinion, the use of the ACS Cargo Selectivity Program to effectively target high risk narcotic shipments for examination could be improved by developing better narcotics examination criteria. This could be accomplished by: establishing local accountability for implementing the national guidelines for handling narcotics criteria; providing additional training in data analysis and research techniques for persons working with criteria; and, sharing intelligence and other information more freely among Customs disciplines. Also, the practice of overriding examination criteria unnecessarily, led to releasing a significant number of targeted shipments without examination which hindered targeting effectiveness. Although we found no instances of fraud, this practice along with inadequate performance of cargo examinations and inaccurate reporting of examination results, could mask fraudulent activities, and needs correcting. These conditions applied equally to the examination of hazardous material, where we found examination teams in need of training and equipment in need of maintenance, repair, or replacement.

Useful performance measures and management controls were also needed. For instance, Customs officials could not determine the exact cause for the lack of performance as evidenced by the extremely low seizure rate when using ACS Cargo Selectivity criteria. They speculated it could be due to homogeneous shipments, lack of good intelligence, absence of regular information sharing, and seasonal shipments. However, better performance measures were needed to determine if the low seizure rate was attributable to these factors, or if poor targeting, examinations, or threat assessments were more significant factors. Customs had already recognized the need for developing better measures and the Government Performance and Results Act (Results

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Act) requires new effectiveness measures for Customs' drug enforcement strategy.

Periodic management reviews did not provide sufficient coverage to identify operational weaknesses in the ACS Cargo Selectivity Program. Reviews did not include controls over the use of examination overrides or the physical processing of cargo. Weaknesses in these areas can undermine the effectiveness of targeting efforts, and allow fraudulent activities to go undetected.

The ATS was being tested in Laredo to determine the effectiveness of the system as designed, and whether it should be expanded to other land border ports. However, we found that the present practice of annually rotating inspectors reduced the effectiveness of the system, since it was based on inspector knowledge. During our field work we also found that the General Accounting Office recommended and Customs agreed to suspend use of the 3T System, due to a lack of reliable information and its cumbersome workload.

Recommendations

We have made eight recommendations on issues that include the development of narcotics examination criteria, the improvement of examination procedures, the implementation of management controls, and the effectiveness of the ATS. Three of the recommendations address procedures needed to implement national guidelines for handling ACS Cargo Selectivity narcotics examination criteria; training needed to maintain data analysis and research proficiency; and, the sharing of proactively developed intelligence between disciplines. The other five recommendations address the excessive use of examination overrides; the following of established examination and reporting guidelines; the

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improvement of hazardous material examination procedures; better management controls; and, improvements needed to the ATS.

Management Response and OIG Comment

Customs management agreed with our audit results and concurred with all the recommendations. Corrective actions have either been implemented or planned. The complete text of Customs management response is provided in Appendix 1.

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BACKGROUND

As the principal border agency charged with ensuring that all goods and persons entering the United States comply with laws, Customs has a fundamental role to play in national narcotics strategy. This strategy is based on a drug smuggling threat that intelligence indicates exists along the southern border of the United States. Therefore, a long-term strategy, named Operation Hard Line, was developed and initiated in Fiscal Year 1995 to disrupt and deter narcotics smuggling via passenger vehicles and cargo at southwest border ports. However, Customs must rely more on targeting techniques to effectively address the smuggling threat and handle increasing workloads. One such technique is Automated Commercial System (ACS) Cargo Selectivity.

ACS is the comprehensive tracking system for Customs. All import transactions related to moving or releasing cargo, importing merchandise, filing entries or protests, paying fines and duties, and conducting international business are processed through ACS. A variety of ACS reports are used to track, study, and evaluate processing with the trade community in addition to processing daily transactions.

The Cargo Selectivity system of ACS is an essential enforcement and entry processing tool. The system facilitates the release of low risk cargo, while targeting high risk cargo for examination. This is done by comparing entry data from each shipment, such as the type of commodity, country of origin, consignee, or manufacturer, against similar database components which have demonstrated high risk characteristics. These are commonly referred to as local and national examination criteria. From this comparison, cargo selectivity establishes whether an examination should be undertaken and the level and type of examination to be performed.

BACKGROUND

The Operational Analysis Staff (OAS) creates and maintains criteria for use in the ACS Cargo Selectivity System. They collect, monitor, and analyze data which are essential for effective targeting and resource management. The effectiveness of the selectivity criteria system is based on the premise of coordination among all Customs disciplines, such as inspectors, import specialists, agents, OAS and intelligence analysts, in sharing knowledge with each other. The focus of the OAS is to facilitate the entry of legitimate cargo, while stopping attempts at fraud, narcotics smuggling, and the entrance of illegal cargo. Their efforts are generally split between narcotics and commercial fraud. Input on selectivity criteria is solicited from the employees who work in these areas (inspectors and special agents for narcotics; import specialists and Fines, Penalties, and Forfeitures personnel for fraud) to enhance the success of the local programs.

The National Narcotics Operational Analysis Staff located at John F. Kennedy Airport in New York and the port of Newark, New Jersey is responsible for the creation and maintenance of national narcotics criteria. Port Directors are responsible for implementing the local narcotics criteria program. The Assistant Commissioner, Office of Field Operations (OFO), has policy oversight for the program at both the local and national levels.

In addition, the Intelligence Collection Analysis Team (ICAT) and the Cargo Analysis Research Investigative Team (CARIT) also collect, analyze, and disseminate intelligence information. These are multi-disciplined teams comprised of agents, inspectors, and analysts, as well as other agency representatives. Both teams collect intelligence that identify smuggling techniques and trends, members of narcotic trafficking organizations, areas of smuggling activities, and smuggling conveyances. The CARIT also emphasizes operations involving controlled deliveries for larger seizures and arrests.

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While personnel from these two teams focus on proactive intelligence collection, OAS personnel perform a reactive type of post seizure analysis. Their duties extend to developing, creating, and maintaining criteria for ACS Cargo and Entry Summary Selectivity as well as other automated processes within ACS, such as the Automated Manifest System and the Automated Export System. They also maintain the Compliance Measurement Program in addition to performing research and analysis for targeting narcotics in most ports. The work of each of these persons requires skill with personal computers and mainframe applications.

The effectiveness of the ACS Cargo Selectivity System depends on proper performance of examinations and accurate reporting of results. Feedback of this nature is needed to either validate the accuracy of the established criteria or provide a basis for developing future criteria. Narcotics examinations involve conducting thorough inspections and physical examinations of vehicles and cargo. Customs defines physical cargo examination as either x-raying cargo or opening packing containers and removal of contents for handling, viewing, counting, and weighing. Examinations should include physical inspection of at least 20 percent of cargo, and observation of the conveyance interior and exterior. A canine team should be used whenever available, but should not be a substitute for thorough examination. Available tools and technology, such as probes, drills, x-rays, and scales, should be used. Site supervisors are responsible for ensuring that all examinations are properly conducted and accurately recorded in the Devan¹ files of ACS, which provide a means of tracking performance of examinations.

¹ Devan file - provides an ACS means of tracking cargo examinations and results associated with a particular consignee, broker, or other entity.

BACKGROUND

Another Customs targeting system, the Automated Targeting System (ATS), is being tested at the port of Laredo. This system relies on experience to identify imports that pose a high risk of containing narcotics or other contraband. The system standardizes² ACS bills of lading, entry and entry summary data, and creates shipment records. These shipments are evaluated and scored by more than 300 weighted rules derived from methods used by experienced personnel. The higher the score, the more the shipment warrants attention. The system allows personnel to conduct analyses of profile information accumulated on shippers, carriers, and importers.

The Three Tier Targeting System (3T) system is another major program which was implemented along the southwest border. This is an ACS cargo stratification program which expedites release of shipments that pose little narcotics risk, while targeting high risk shipments for enforcement examinations. This system stratifies shipments into three categories depending on an analytical assessment of the degree of risk associated with each shipment. The extent of examination performed varies with each category. In concurrence with General Accounting Office recommendations issued during our fieldwork, Customs has agreed to suspend the 3T system.

² The ATS standardizes the data it receives from the mainframe. It may change abbreviations, such as replacing STR with ST for street. This can also resolve duplicate information, such as establishing duplicate records for the same importer because of slight variations in name spelling.

OBJECTIVE, SCOPE, AND METHODOLOGY

This is the first in a planned series of audits covering various aspects of Operation Hard Line. Operation Hard Line is a long-term Customs strategy to disrupt and deter narcotics smuggling at southwest border ports via passenger vehicles and cargo. The objective was to determine whether the ACS Cargo Selectivity System effectively targets high risk cargo for narcotic examinations. The audit scope focused on activities from October 1, 1995 to September 18, 1998. The audit work was performed at Customs headquarters in Washington, DC, the National Narcotics Operational Analysis Staff office in Newark, New Jersey; and the ports at El Paso and Laredo, Texas; Otay Mesa, California; and Nogales, Arizona.

We interviewed Customs headquarters officials and National Narcotics Operational Analysis Staff Analysts responsible for the ACS Cargo Selectivity System and the development of selectivity criteria. Policies and procedures were obtained and reviewed for the process. We reviewed local standard operating procedures for the responsible units, and obtained pertinent ACS reports and documentation for the audit period. This included seizure reports, examination reports, error reports, and internal control reviews. We interviewed local responsible operating unit personnel. We also observed port cargo processing and examination procedures and reviewed data on all major targeting systems. We reviewed effectiveness measures and management control reviews, and evaluated the adequacy of targeting systems.

This audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests as were determined necessary.

AUDIT RESULTS

Finding 1. Development of Narcotics Criteria Needed Improvement

The development of narcotics examination criteria could be improved. Local standard operating procedures for OAS units, and others responsible for handling these examination criteria, were needed to establish individual accountability for criteria maintenance and development. Responsible persons also needed more training in analytical techniques to improve their skills in developing effective criteria. In addition, the targeting effectiveness of criteria could be enhanced by sharing proactively obtained intelligence among inspectors, special agents, and analysts. Ineffective criteria will only frustrate inspectors in their narcotics targeting efforts.

Recommendations

1. The Commissioner of Customs should direct the Office of Field Operations to ensure that ports establish and implement local standard operating procedures which follow national guidelines for handling ACS cargo selectivity narcotics criteria. These procedures should establish accountability for required tasks, including developing and maintaining narcotics criteria, and submitting suggestions for improving national narcotics criteria.
2. The Commissioner of Customs should direct the Office of Field Operations to implement an oversight program to ensure that port personnel in charge of cargo selectivity narcotics criteria are adequately trained to maintain proficiency in data analysis and research.
3. The Commissioner of Customs should direct that the Office of Field Operations and the Office of Investigations ensure that, whenever possible, proactively developed intelligence is shared between disciplines to achieve the common goal of interdicting drugs.

AUDIT RESULTS

Management Response and OIG Comment

Customs management agreed and initiated corrective actions that will meet the intent of our recommendations. Concerning the first recommendation, Customs stated that a *Manifest Review Unit Handbook*, dated August, 1999, gives sole responsibility for ACS cargo selectivity criteria to the OAS and makes criteria effectiveness and management a priority. Workshops were held at a national conference in June, 1999 which addressed the role of OAS in trade compliance and anti-smuggling. A new directive for OAS was prepared and will be issued upon completion of an extensive assessment of the future role of OAS which commenced on November 1, 1999.

In response to the second recommendation, Customs stated that a two-week formal training program for OAS analysts responsible for narcotics criteria was developed at the U.S. Customs Service Academy. A total of four classes are scheduled for FY 2000. For field inspectors, three other training sessions are provided. First, it is an integral part of the Inspectors Course. Second, it has been incorporated into the six day Targeting and Examination Technology Training Course. Third, it has been incorporated into the six day Southern Border Interdiction Training Course. For the purpose of tracking the accuracy of reporting narcotics examination statistics, OFO developed and implemented the program *Managing OMR Data Quality* (Customs Directive 4320-024) dated June 3, 1999.

Regarding the third recommendation, Customs stated that the exchange of information between Office of Investigations (OI) and OFO disciplines is accomplished through ICATs which are guided by national standard operating procedures. ICATs are comprised of Special Agents, Inspectors, Intelligence Analysts and other state and federal law enforcement representatives dedicated to the collection, utilization, dissemination and sharing of tactical and operational intelligence.

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Details

Standard Operating Procedures Were Needed

The OAS units at all ports visited did not have local written standard operating procedures to describe assigned duties. This delineation of duties was essential in providing specific guidelines for developing, creating and maintaining ACS Cargo Selectivity System criteria. Without operating guidelines to follow, analysts were not always providing adequate support for drug enforcement efforts. Analysts primarily performed compliance measurement and document analysis functions rather than develop examination criteria to target high risk cargo shipments and offer criteria suggestions to National Narcotics Operational Analysis Staff Analysts. At the ports visited, these functions were assigned to other groups, such as Intelligence Collection Analysis Teams. However, the emphasis of these other groups was usually on passenger rather than cargo processing, and the responsible parties usually did not have the training necessary to effectively research and develop narcotics examination criteria.

More Training Was Necessary

Proficiency in data analysis and research is a basic requirement for personnel in charge of the maintenance and development of narcotics examination criteria. We interviewed 10 of 15 personnel responsible for criteria development at the four ports visited, and found that nine felt they were in need of more training. A selective review of training records for three of the personnel confirmed that more training was needed. Personnel expressed a need for more training in data analysis and research techniques used to analyze trends and anomalies in cargo, and thereby improve the development of meaningful criteria. There also was a need for better access to new information systems, such as the Internet, to improve the quality and amount of data for their analyses and research.

AUDIT RESULTS

Proactively Obtained Intelligence Should Be Shared

Examination criteria, currently being developed for the ACS Cargo Selectivity System is mainly reactive in nature. A reactive methodology analyzes past events, as documented by various records and reports, and provides information that is dated and general in nature. This methodology was typically used because of the limited dissemination of information among personnel and the lack of training in data analysis and research. The nature and objectives of drug interdiction activity sometimes impede the sharing of proactively obtained intelligence among disciplines. Accordingly, the exchange of information has been hindered by concerns over developing more significant cases, versus prompt seizures that are necessary for performance recognition.

A proactive approach would be especially beneficial for targeting smugglers on the southwest border, where there is a large volume of homogeneous and seasonal shipments, and numerous one-time importers. This could be accomplished by sharing useful intelligence information more frequently, and using improved data query and analysis techniques to research trends and anomalies.

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Finding 2. Use of Examination Overrides Was Excessive

The use of examination overrides, at the four Southwest Border Ports we visited was excessive, with 607 examinations downgraded from intensive to general and not performed during FY 1997 and FY 1998. A major risk in avoiding examinations through unnecessary overrides is that they could mask deliberate fraud and abuse, allowing undetected narcotic shipments to pass through border ports.

Recommendation

4. The Assistant Commissioner, Office of Field Operations, should instruct Port Directors to establish procedures ensuring that reasons for overriding intensive cargo examinations are properly documented and reviewed.

Management Response and OIG Comment

Customs management agreed with the recommendation. A work group to develop a new *Cargo Release Handbook* was scheduled for January, 2000. This group will place special emphasis on developing a uniform policy for overriding intensive cargo examinations. Once approved, the handbook procedures will be implemented on a national basis. A *Self-Inspection Worksheet* will be used to ensure policies are followed.

The OIG believes that implementation of these corrective actions will satisfy the intent of the recommendation.

Details

The ACS Cargo Selectivity System is a sensitive system that depends on the proper working of all of its elements to process large volumes of cargo efficiently. Key system elements are examination criteria, which allow Customs to focus on high risk cargo and expedite the processing of low risk shipments. Especially critical are narcotic

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examination criteria. Each time a high risk shipment is chosen for intensive examination but is unnecessarily overridden through inspectional error or clerical mistake, the purpose of selective targeting is undermined. Further, this should raise questions as to whether the system is being compromised. A major risk in avoiding examinations through unnecessary overrides is that overrides could mask deliberate fraud and abuse, allowing undetected narcotic shipments to pass through border ports. We recognize that there are valid reasons for overriding examination criteria, such as the release of shipments without performance of required examinations due to an inoperative system or unforeseen problems. These actions, however, should always be properly documented and reviewed in order to prevent abuses.

We reviewed operating logs used for documenting examination overrides. We found 607 examinations that were downgraded from intensive to general, or overridden and not performed. Of this total, 66 examinations, or 10.9 percent were unnecessarily avoided due to inspector errors or clerical mistakes. However, the number of examinations avoided may have been as high as 168, or 27.6 percent. The actual amount could not be determined because reasons for the overrides were not clearly or properly stated in the override logs.

Specifically, 102 examination overrides were coded "other," meaning the reasons for the overrides were not covered by any of the specific codes listed in the override logs. Customs managers said that uses of this code in these instances were not acceptable, since descriptive codes were available and should have been used. This practice defeats the purpose of coding as a management tool to ensure that the override process is used only when absolutely necessary. Management cannot determine exactly why examinations are not performed when inaccurate or nebulous coding is used.

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Finding 3. Established Examination and Reporting Guidelines Were Not Followed

At the four ports we visited, we found examination and reporting guidelines were not followed, and improvement of both cargo and hazardous materials (HAZMAT) examination procedures were needed. Inspectors relied on the use of canines rather than performing thorough examinations, failed to properly inspect trucks, and inspected significantly less cargo than the 20 percent required for narcotics examinations. Also, narcotics examinations were improperly reported, and equipment needed for HAZMAT examination was in need of maintenance, repair, or replacement. As a result, Customs had limited assurance that contraband and narcotics did not bypass Customs scrutiny.

Recommendations

5. The Assistant Commissioner, Office of Field Operations, should require that Port Directors issue local standard operating procedures, using the *Customs Narcotics Interdiction Guide* to explain how to properly perform and report the results of intensive narcotics examinations.
6. The Assistant Commissioner, Office of Field Operations, should require that management procedures are in place to review the performance of intensive narcotic examinations, and ensure that hazardous material equipment is maintained, repaired, or replaced as necessary.

Management Response and OIG Comment

Customs management agreed with recommendation 5 and stated that in June, 1999 the Anti-Smuggling Division (ASD) updated and re-issued the *Narcotics Interdiction Guide* to serve as a procedural guideline for both examining inspectors and those who review the examination results. The new guide provides guidance on responsibilities of cargo examination teams including assignment of

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personnel, targeting methodologies, examination methods, use of technology, examination standards, and posting of results. A minimum of 20 percent of cargo must be physically examined to record an inspection as a narcotic enforcement examination. This type of examination requires x-raying or opening packing containers and/or removal of contents for handling, viewing or weighing. Ports with non-intrusive inspection systems can use these systems in lieu of, or in combination with the off-loading of cargo to meet the 20 percent requirement.

The OIG believes that proper use of the new *Narcotics Interdiction Guide* will satisfy the intent of the recommendation. The use of x-ray equipment in cargo examinations is considered acceptable if equipment suitable to the task is used. Some non-intrusive inspection systems are designed for, and capable of examining only empty containers. These systems, therefore, would not be adequate for examining cargo within containers.

Customs management agreed with recommendation 6 and stated that each port was encouraged to designate a Hazardous Materials Coordinator, and a Tools and Technology Coordinator to be responsible for maintenance, training, proper utilization, and inventory accountability associated with the various pieces of examination equipment. Oversight is tracked via a five point self-examination document and blanket purchase order agreements have been issued for the centralized collection, repair and return of broken devices. Also, the Applied Technology Division and ASD jointly cooperate with a contractor who is developing performance measures and tracking the success of narcotics examinations.

The OIG believes that these actions, along with those indicated in response to recommendation 5, will satisfy the intent of this recommendation.

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Details

Cargo Examination Procedures

During observations of inspectors in the performance of 12 narcotics intensive examinations, we found 6 of 12 examinations had the following 11 errors:

- **Twice inspectors relied on the use of canines rather than performing thorough examinations.** An intensive narcotics examination, as defined by Customs, includes a physical inspection of at least 20 percent of the cargo. During the first examination, the inspector opened only 1 of 1,074 boxes of hospital supplies, stating that the other containers would be examined thoroughly only if there was a canine alert on the containers. However, the inspector reported in the Devan File that a 100 percent narcotics examination was performed. During the second examination, the inspector did not inspect any of the 22 bags of industrial paper and plastic waste because the canine team was not alerted to them, and the importer had a prior good record.
- **Three times inspectors examined amounts significantly less than the required 20 percent.** During one examination, 39 of 2073 or less than 2 percent of the cartons of toys were opened or x-rayed, yet the inspector reported that a 75 percent narcotics examination was performed. During another examination, 7 of 1,224 or less than 1 percent of boxes of lighters and pens were opened and examined. In this case, a 60 percent narcotics examination was reported as having been performed. During the third examination, 26 of 308, or slightly more than 8.4 percent of the boxes of electrical components were opened and examined. Although the correct number of items examined was reported, this was also short of the 20 percent examination requirement for a narcotics examination.

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- **Six times inspectors failed to inspect trucks properly.** Truck inspections were not performed correctly with areas such as engine compartments, storage areas, and tires not being properly checked for narcotics.

HAZMAT Examination Procedures were Needed

At all four ports, HAZMAT examination procedures and equipment were in need of improvement. Examination equipment needed to be either maintained and repaired, or replaced. Equipment such as mobile x-rays, density meters, fiber optic scopes, and truck scales needed repair or replacement. For example, at two ports scales to weigh vehicles had been inoperable for up to eight months. In addition, safety equipment such as facilities for the emergency cleansing of eyes, were not operational, with faucet handles removed or paper cup dispensers empty. Resultantly, with only canine teams, probes, and physical observation in use for many examinations, there was limited assurance that contraband and narcotics were not hidden in HAZMAT shipments.

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Finding 4. Better Performance Measures and Management Control Reviews Were Needed

Better performance measures were necessary to determine the impact of poor targeting criteria, examination procedures, and threat assessments on the low seizure rate. However, officials have already recognized this need and were developing new measures of effectiveness for their drug enforcement strategy. In addition, the Results Act requires every major federal agency to set strategic goals, measure performance, and report on accomplishments. In addition, two ports needed to add operational controls over the processing of cargo through ACS Cargo Selectivity.

Recommendation

7. The Assistant Commissioner, Office of Field Operations, should ensure that management control reviews are performed at the port level, and include procedures for processing cargo through ACS Cargo Selectivity and the performance of narcotics enforcement and hazardous material examinations.

Management Response and OIG Comment

Customs management agreed with the recommendation. Customs is in the process of enhancing criteria management through new handbooks and a general assessment of the OAS. Customs also recognizes the need for management controls over cargo selectivity processing and examination. Recently created self-inspection worksheets monitor the development and maintenance of selectivity criteria and for monitoring overrides. Similar worksheets for ensuring the proper performance of cargo, narcotics, and hazardous materials examinations will be implemented in time for the next cycle of self-inspections.

The OIG believes that implementation of the actions indicated will satisfy the intent of the recommendation.

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Performance Measures

Customs has traditionally measured the effectiveness of drug interdiction efforts by the number of arrests and seizures. Using these measures, the absence of seizures resulting from the use of ACS Cargo Selectivity narcotics criteria suggests that this system, as currently implemented, may be an ineffective targeting tool. Traditional methods, however, track only seizure activity and increases or decreases in seizures do not necessarily measure the entire success of a program. It could also mean that the amount of smuggling has increased or decreased significantly. Other factors that could have an impact on the effectiveness of ACS Cargo Selectivity include the strength of the narcotics threat, the quality of examination criteria and thoroughness of examinations performed, the availability of experienced inspectors to perform examinations, and the excessive use of examination overrides.

Although Customs intelligence indicated there was a strong narcotics threat in commercial cargo, there were just two seizures credited to using ACS Cargo Selectivity targeting during the period under review. Officials could not determine the exact cause for the lack of seizure results, but speculated it could be due to the frequency of homogeneous shipments, lack of good intelligence, sharing of information, and seasonal shipments. This range of possibilities is too broad to specifically determine if results reflect poor performance or inadequate performance measures.

Management Controls

Management control reviews performed at two ports did not include sufficient review controls over ACS Cargo Selectivity. Operational controls needed to be added for the physical processing of cargo and the overriding of examination criteria. These controls were not developed and implemented in one of the ports because of the time and effort required, and a lack of management emphasis. At the other port, management stated they used Operational Management

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Reports³ as their control reviews over ACS Cargo Selectivity; however, the use was not documented. Therefore, management could not readily determine that proper controls existed for the program. At the conclusion of our field work, one of the Port Management Control Coordinators provided us with a draft of the *South Texas Customs Management Center (CMC) Compliance Review Report, Cargo Control - AU# 506-00*. This document contained compliance reviews of ACS Cargo Selectivity operations, such as cargo entry and examinations procedures, which when implemented, could strengthen controls over cargo operations.

In addition, narcotics and hazardous materials examinations procedures were not included in the management control reviews performed at any of the locations we visited. In our opinion, periodic reviews of controls in these areas will further ensure that ACS cargo processing operations are performed as intended.

³ The Operational Management Reports (OMR) is a data warehouse personal computer application that provides users the ability to retrieve, analyze, graph, and report selected summary data.

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Finding 5. The Automated Targeting System Was Being Evaluated

The frequent rotation of personnel adversely affected the ATS. Customs had a problem maintaining properly trained and experienced personnel necessary to effectively run the system. An annual rotation policy made formal training impractical, and the opportunity to apply experience gained on the job by inspectors, was lost as inspectors were rotated to other assignments. Customs agreed to continue negotiating for better ATS team retention to ensure success of the operation.

Recommendation

8. The Assistant Commissioner, Office of Field Operations, should ensure that management continues to work with the National Treasury Employees Union until the rotation problem adversely affecting the Automated Targeting System is resolved.

Management Response and OIG Comment

Customs management agreed with the recommendation. The issue of staffing the ATS in Laredo was resolved when port management and the NTEU agreed that at least 50 percent of the ATS team would be retained each year to ensure continuity. At other ports where ATS has been subsequently deployed, ATS inspectors were assigned to CET⁴ and covered by negotiated rotation policies.

The OIG believes that the actions taken satisfy the intent of the recommendation.

⁴ Contraband Enforcement Team (CET) Customs personnel, who are mostly inspectors, work in teams, and are specially trained to interdict narcotics and other contraband in cargo shipments.

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Details

In concurrence with a recent General Accounting Office recommendation which was included in the report GAO/GGD-98-175, *Low-Risk Cargo Entry Program*, dated July 1998, Customs was evaluating the effectiveness of the ATS at the Port of Laredo. They also planned to collect data on the other southwest border ports of entry to determine the feasibility of deployment to those ports. Customs viewed the system as having been successful, with the identification of three shipments of marijuana totaling more than 5,000 pounds. However, there is a question as to whether the success of the ATS will continue to improve without properly trained and experienced personnel working the system. An obstacle to be overcome was that Customs and the National Treasury Employees Union (NTEU) had a practice in place of annually rotating inspectors. This policy made formal training impractical, and job training manuals and trial-and-error learning were the only training aids available.

NTEU and Customs management were working on a solution to the frequent rotation problem. One possibility was to place ATS personnel under the responsibility of the CET which would extend the rotation period, but this must be negotiated. At the very least, when rotations occur, they will be staggered so that there will always be an experienced analyst on hand.

AUDIT RESULTS

Other Issues. The 3T Program Has Been Suspended

In concurrence with another recommendation in GAO/GGD-98-175, *Low-Risk Cargo Entry Program*, dated July 1998, Customs agreed to suspend the 3T Program until more reliable information was developed for classifying low risk shipments. Customs further stated that due to a lack of reliable information on foreign corporations, in addition to the workload involved in obtaining this data, the program has proved impractical. Also tier criteria were not being periodically reviewed and updated because OAS personnel considered the process to be time consuming and obsolete.

ABBREVIATIONS

ACS	Automated Commercial System
ASD	Anti-Smuggling Division
ATS	Automated Targeting System
AU	Assessable Unit for compliance reviews
CARIT	Cargo Analysis Research Investigative Team
CET	Contraband Enforcement Team
CMC	Customs Management Center
Customs	United States Customs Service
GAO/GGD	U.S. General Accounting Office/General Government Division
HAZMAT	Hazardous Materials
ICAT	Intelligence Collection Analysis Team
NTEU	National Treasury Employees Union
OAS	Operational Analysis Staff
OFO	Office of Field Operations
OMR	Operational Management Reports
Results Act	Government Performance and Results Act
3T	Three Tier Targeting System

MANAGEMENT RESPONSE



DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE

DATE: NOV 19 1999

FILE: AUD-1-OP BAB

MEMORANDUM FOR DENNIS SCHINDEL
ASSISTANT INSPECTOR GENERAL


FROM: Director, Office of Planning

SUBJECT: Automated Commercial System Cargo Selectivity

Thank you for providing us with a copy of your draft report entitled "Automated Commercial System Cargo Selectivity" and the opportunity to discuss the issues in this report. Customs has taken a number of steps to address the issues identified during your review. These steps, and additional on-going actions, are outlined in the attached document, as are Customs comments on this draft report.

We have determined that the information in the audit does not warrant protection under the Freedom of Information Act.

If you have any questions regarding the attached comments, please have a member of your staff contact Ms. Brenda Brockman at (202)927-1507.


William F. Riley

Attachment

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OIG Audit AHT-98-022
Automated Cargo System (ACS) Cargo Selectivity

Recommendation 1:

The Commissioner of Customs should direct the Office of Field Operations (OFO) to ensure that ports establish and implement local Standard Operating Procedures (SOP) which follow national guidelines for handling ACS Cargo Selectivity narcotics criteria. These procedures should establish accountability for required tasks, including developing and maintaining narcotics criteria, and submitting suggestions for improving national narcotics criteria.

Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

The U.S. Customs Service is in the process of addressing the need for criteria management through new handbooks and an assessment of the Operational Analysis Staff (OAS). The "Manifest Review Units Handbook" dated August 1999 gives sole responsibility for ACS cargo selectivity criteria to the OAS and makes criteria effectiveness and management a priority.

The U.S. Customs Service also recognizes the need to better define and coordinate the functions of OAS resources.

In June 1999, a national conference was held where the vast majority of the agenda constituted workshops on bringing uniformity to processes and sharing best practices. The role of OAS in Trade Compliance and the role of OAS in Anti Smuggling were two of the workshops. Another workshop dealt exclusively with training. Throughout the summer of 1999 there was follow up to the conference and a draft directive was created.

In early September 1999, the Assistant Commissioner, Office of Field Operations, decided that an extensive assessment should be conducted of OAS. Arrangements were made to have the Director of the office that manages the operations of the former national OAS to be detailed for this assessment. On November 1, 1999, the assessment commenced.

The U.S. Customs Service is withholding issuing a new directive for OAS until the assessment is complete. While it is recognized that enhancing performance of OAS units is critical, the future role of the units will be decided consistent with the context of the assessment findings.

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Recommendation 2:

The Commissioner of Customs should direct the Office of Field Operations (OFO) to implement an oversight program to ensure that port personnel in charge of cargo selectivity narcotics criteria are adequately trained to maintain proficiency in data analysis and research.

Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

In order to provide the highest level of proficiency in data analysis, the U.S. Customs Service has created a number of training programs for ACS Cargo Selectivity criteria management. The U.S. Customs Service Academy has created a two-week formal training program for OAS analysts who are currently responsible for narcotics criteria development, posting, and review. In FY 2000, a total of four classes are scheduled at the Customs Academy (co-located at the Federal Law Enforcement Training Center (FLETC)). For field Inspectors, three other training sessions are provided on ACS Cargo Selectivity criteria: first, it is an integral part of the Basic Inspector course at the Customs Academy; second, it has been incorporated into the 6 day Targeting and Examination Technology Training (TETT) course in Miami, Florida; third, it has been incorporated into the 6 day Southern Border Interdiction Training (SBIT) course in Laredo, Texas. The Customs Academy administers both TETT and SBIT conducting 10 courses of each per year. Headquarters OFO, Anti-Smuggling Division (ASD) officers work closely with Customs Academy instructors to provide oversight, scheduling, and support for both TETT and SBIT. Approximately every two years, a team of ASD officers, field managers, and Academy instructors meet to review and update the TETT and SBIT course syllabus.

For the purpose of tracking the accuracy of reporting narcotics examination statistics, the OFO Measurement Team developed a comprehensive program entitled Managing OMR Data Quality (Customs Directive 4320-024), dated June 3, 1999. The analysis of this data is reviewed regularly by National Data Element Owners and by field validators.

Recommendation 3:

The Commissioner of Customs should direct that the Office of Field Operations (OFO) and the Office of Investigations (OI) ensure that, whenever possible, proactively developed intelligence is shared between disciplines to achieve the common goal of interdicting drugs.

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Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

The exchange of information between various disciplines in OI and OFO is accomplished through Intelligence Collection Analysis Teams (ICAT) which are guided by a national SOP. The ICAT intelligence program focuses on the following major components:

- 1) Targeting contraband and alien smuggling at the Ports of Entry (POE) via commercial and private transportation, (i.e. maritime vessels, vehicles, tractor trailers, cargo, railroad, aircraft and pedestrians).
- 2) Actionable, tactical and operational intelligence collection, analysis and dissemination focused on drug transportation organizations, alien smuggling groups, document fraud and the illegal movement of stolen vehicles and firearms.
- 3) Specialized investigative support and investigative leads.

Located at strategic POEs, the ICAT groups are required to be highly mobile, aggressive intelligence field units dedicated to the collection, utilization, dissemination and sharing of tactical and operational intelligence. The ICATs will closely monitor changes in the nature and location of the smuggling threat at our borders and will focus on criminal organizations operating in and around the POEs. ICATs are comprised of Special Agents, Inspectors, Intelligence Analysts, and other state and federal law enforcement representatives.

Recommendation 4:

The Assistant Commissioner, Office of Field Operations, should instruct Port Directors to establish procedures ensuring that reasons for overriding intensive cargo examinations are properly documented and reviewed.

Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

The U.S. Customs Service recognizes the need for established procedures for overriding intensive cargo examinations. A work group is scheduled for January 2000, with the goal of developing a new "Cargo Release Handbook". This work group will focus on establishing practices and procedures regarding cargo release with a special emphasis on developing a uniform policy for overriding intensive cargo examinations.

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Once this handbook is completed and approved, the procedures established therein will be implemented on a national basis. A Self-Inspection Worksheet will follow the policy implementation to ensure that the policies are followed.

Recommendation 5:

The Assistant Commissioner, Office of Field Operations, should require that Port Directors issue local Standard Operating Procedures, using the Customs Narcotics Interdiction Guide to explain how to properly perform and report the results of intensive narcotics examinations.

Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

In June 1999, the ASD updated and re-issued the Narcotics Interdiction Guide to the 20 Customs Management Centers (CMC). In addition, the Narcotics Interdiction Guide was posted to the handbook section of the electronic Info Base system. All U.S. Customs Service offices can access the Info Base system. The "purpose" section specifically states that the guide is intended to serve as a procedural guideline for both examining Inspectors and those who will review the examination results. The new guide provides specific guidance to Port Directors on the responsibilities of cargo examination teams including the assignment of personnel, targeting methodologies, examples of special examination methods, the use of technology, examination standards, and the posting of examination results. In the assignment of personnel section, the guide specifically states that the responsibilities for narcotics enforcement examinations rest with the Contraband Enforcement Teams (CET). CET activities are uniformly guided by the National CET Directive (Customs Directive 3290-013A), dated August 28, 1999.

In addition to the above listed guidance, all 20 CMC and Special Agent-in-Charge offices submitted Joint Narcotics Interdiction Plans which serve as local roadmaps for narcotics enforcement goals/procedures.

The Narcotics Interdiction Guide details the proper procedures for conducting a narcotics examination, where to record the results, and provides definitions for specific terms. In order for a port to record an inspection as a narcotic enforcement examination, a minimum of 20% of the cargo must be physically examined. Page 7 of the Narcotics Interdiction Guide defines physical examination as "the x-raying or opening of packing containers and/or the removal of their contents for handling, viewing, weighing, etc."

This "20%" requirement was established prior to the deployment of truck and container sized non-intrusive inspection systems (NII). Thus, for those ports with NII systems, the devan record is coded "NRAY" in the exam type field if the NII system is used in lieu of

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off-loading cargo. If cargo is off-loaded **and** NII systems are used, the "20%" requirement may be met by combining the opening of boxes with the use of these systems. For ports without NII systems, the "20%" requirement is met by off-loading and examining 20% of the cargo.

Headquarters guidance for the recording of "NRAY" in the devan file was provided to all CMC Enforcement Coordinators via cc:mail dated October 1, 1999.

Recommendation 6:

The Assistant Commissioner, Office of Field Operations, should require that management procedures are in place to review the performance of intensive narcotics examinations, and ensure that hazardous material equipment is maintained, repaired, or replaced as necessary.

Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

Page 8 of the Narcotics Interdiction Guide provides specific guidance that examination of hazardous material shipments be performed In Accordance With (IAW) the Hazardous Cargo Plan (Customs Directive 5290-008). Each port was encouraged to designate a Hazardous Material Coordinator who, in turn, is encouraged to negotiate cooperative agreements with local fire departments and hazardous response teams.

Page 9 of the Narcotics Interdiction Guide instructs Port Directors to designate a Senior Inspector as a Tools and Technology Coordinator. This person, reporting to the CET chief and Port Director, is responsible for the maintenance, training, proper utilization, and inventory accountability associated with the various pieces of examination equipment in their port. Headquarters oversight for tools and technology used in examinations is now tracked via a 5 point self-inspection document. In support of the Office of Field Operations, the Applied Technology Division has signed blanket purchase order agreements for the centralized collection, repair, and return of broken hand held detection devices.

The Applied Technology Division and the ASD jointly cooperate with a contractor who is developing performance measures and tracking the success of narcotics examinations with emphasis on the utilization rates of all NII systems as well as hand held tools.

Recommendation 7:

The Assistant Commissioner, Office of Field Operations, should ensure that management control reviews are performed at the port level, and include procedures for processing cargo through ACS Cargo Selectivity and the performance of narcotics enforcement and hazardous material examinations.

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Response:

We agree with this recommendation and have taken the following actions to ensure it is properly implemented.

As noted in our response to Recommendation 1, the U.S. Customs Service is in the process of enhancing criteria management through new handbooks and a general assessment of the OAS. These actions, along with our regular review of criteria effectiveness, should promote better targeting for improved cargo and narcotics enforcement.

The U.S. Customs Service also recognizes the need for management controls that ensure adherence to procedures for processing cargo through selectivity and performing examinations. In that regard, recently created self-inspection worksheets now monitor each port's development and maintenance of selectivity criteria. Regarding management controls for examination, self-inspection worksheets already exist for monitoring overrides, and similar worksheets for ensuring the proper performance of cargo, narcotics, and hazmat examinations will be implemented in time for the next cycle of self-inspections.

Recommendation 8:

The Assistant Commissioner, Office of Field Operations, should ensure that management continues to work with the National Treasury Employees Union (NTEU) until the rotation problem adversely affecting the Automated Targeting System is resolved.

Response:

We agree with this recommendation.

Since the drafting of this OIG audit, the issue of staffing the Automated Targeting System (ATS) in Laredo, Texas has been resolved. Port management and the NTEU reached an agreement whereby no less than 50% of the ATS team is retained each cycle to ensure continuity of the operation. In other ports where ATS has subsequently been deployed, those Inspectors were assigned to CET, and are covered by rotation policies negotiated in the national CET Directive.

MAJOR CONTRIBUTORS TO THE REPORT

Charles Mataya, Director, Program Audits

Kenneth W. Coleman, Audit Manager

Robert F. Edwards, Auditor-in-Charge

Clara J. Veal, Auditor

Linda J. Howarton, Auditor

Gene Wendt, Audit Referencer

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